



# Newsletter

U.S. Department of Housing and Urban Development

Office of Multifamily Housing Programs

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## HUD Surpasses Its Goal For Error Reduction In FY 2004

In FY 2001, HUD set a goal to reduce the estimated \$2 billion in net annual overpayments in the Department's \$24 billion per year rental housing assistance programs. Interim reduction goals were established at 15 percent in FY 2003, 30 percent in FY 2004 and 50 percent by FY 2005.

In FY 2004, HUD surpassed all interim reduction goals in net annual rental assistance overpayments by achieving a reduction of 71 percent. This error reduction was based on an update of the baseline established in FY 2000. This study covered three components of rental housing assistance payments errors consisting of errors in:

1. Program administrator income, rent and subsidy determinations;
2. Tenant reporting of income; and
3. Processing of program administrator billings for assistance payments.



### How did we do it ?

The reduction in subsidy determination errors is a result of HUD's efforts to work with its housing industry partners at public housing authorities and multifamily housing projects through enhanced program guidance, training, oversight and enforcement. The reduction in erroneous payments due to tenant underreporting of income is due to improved income verification efforts by program administrators, improved computer matching for upfront verification of tenant income, increased promotion of error reduction needs and increased voluntary compliance by tenants due to promotion of the issue.

**Congratulations to all parties involved for working together to make this effort successful in FY 2004!**

### Reduction in Improper Payments Due to Subsidy Determination Errors

Errors *	Over Payments	Under Payments	Net Over Payments	Gross Improper Payments
	(A)	(B)	(A-B)	(A+B)
2000	2,594	622	1,972	3,216
2003	1,087	519	568	1,606
Change	1,507	103	1,404	1,610
Reduction	58%	17%	71%	50%

\* Numbers equal dollars in millions



## Multifamily Housing and Public and Indian Housing Working Together on Joint Business Processing Reengineering Improvement (BPR/I) Initiative

The Office of Multifamily Housing and the Office of Public and Indian Housing are implementing a joint BPR/I Initiative to improve the financial and tenant eligibility management, accountability, and quality of services as they relate to HUD's Rental Housing Assistance (RHA) line of business.

The ultimate goal of the RHA BPR project is to produce a comprehensive business solution and necessary business rules and controls. By coordinating existing human and database resources, both offices will be able to maintain an accurate, up-to-date electronic system. More information on the definition of the RHA line of business can

be found in the Office of the Chief Information Officer's Enterprise Architecture "Rental Housing Assistance (RHA) Blueprint", January 16, 2004 available at <http://www.hud.gov/offices/cio/ea/newea/blueprints/rhblueprint.pdf>.

What is Rental Housing Assistance? Rental Housing Assistance is a core line of business defined as the provision of subsidies, including vouchers, low-rent public housing units and selective Housing grant programs, to enable low and moderate-income individuals and families to rent decent and safe housing per the Enterprise Architecture Blueprint.

*Multifamily Housing and Public....continued on page 3*



## Billing Study Completed

The billing study conducted on the multifamily housing project-based assistance program has been completed. This study was conducted to determine overpayments and underpayments of subsidies resulting from the subsidy billing process.

According to the study, Tenant-Level Subsidy Errors were the most costly, averaging \$30 per over-payment; followed by Project Level Accounting Discrepancies averaging \$19. The opposite was the case for Subsidy Underpayments, which were higher for Project Level Accounting Discrepancies. Net erroneous payments (overpayments minus underpayments) were most commonly Tenant-Level Subsidy Errors. The following chart lists the specific results.

Reduction in Billing Errors

Type of Project Based Assistance Billing Error	Subsidy Over Payments	Subsidy Under Payments	Net Erroneous Payments*	Gross Erroneous Payments*
	(A)	(B)	(A-B)	(A+B)
Tenant-Level Subsidy	\$30	-\$7	\$23	\$37
Tenant-Level Utility Errors	\$7	-\$1	\$6	\$8
Project Level Accounting Discrepancies	\$19	-\$36	-\$17	\$55
Total-All Errors	\$56	-\$44	\$12	\$100**

Dollar values are in millions. The relatively small sample size of 150 projects and the concentration of most errors in a small number of projects resulted in standard errors much larger than the error estimation values. These estimates should be

*Billing Study Completed....continued on page 6*



## Status of Performance Based Contract Administrator (PBCA) Initiative

The PBCA initiative kicked off in June 2000, with the awarding of PBCA contracts to the states of Michigan and South Dakota. With the recent performance based contract awards to the states of Utah and Nebraska, the Department now has 56 PBCA contracts. There are two states, Washington and New York, that have both a PBCA and a PBCA - Participant Administrative Entity (PAE) contract. Massachusetts has a PBCA and a PBCA-Demo Disposition contract. HUD has achieved its goal of having one performance based contract administrator per state. However, the state of California has two PBCAs administering the eligible project-based Section 8 contracts.

Approximately 12,600 Section 8 project-based contracts are being administered by (PBCAs) nationwide. PBCAs do not have subsidy contract administration responsibility for the following types of contracts:

- Moderate Rehabilitation Contracts
- Project Assistance Contracts (PACs)
- Project Rental Assistance Contracts (PRACS)
- HUD-Owned
- Contracts in the foreclosure pipeline
- Projects classified as Mortgage-in-Possession (MIP)
- Contracts referred to Departmental Enforcement Center (DEC)
- Contracts referred to Office of Affordable Housing Assistance Restructuring (OAHP)
- OAHP Watch List Contracts
- Contracts where the owner advised of the intent to opt-out

One of many contractual tasks assigned to the PBCAs that is of particular importance in regard to the RHIIP initiative is the requirement to conduct annual on-site Management and Occupancy Reviews (MORs)

*Status of Performance based contract....continued on page 3*

## RHIIP Training Fills Void for HUD Field Staff

Dianne Smith, Project Manager in the Shreveport Program Center, praised the RHIIP training provided over the past two years for enhancing her skills. Ms. Smith was transferred from Single Family to Multifamily two years ago. There, she found herself monitoring owners and management agents and addressing tenant issues without having had any occupancy-related training and having no idea how a tenant's rent was calculated.

Her initial requests for training in the occupancy area went unfulfilled, but finally became a reality in May 2003 when she was selected to attend the Occupancy 201 training in Washington, D.C. Although the pre-test looked Greek to her, as well as to others, it was the beginning of a week of intensive training that provided a solid foundation for rent calculation and other occupancy policies and procedures. Ms. Smith came away from this training knowing that tenants pay 30 percent of their adjusted income for rent, learning what was meant by adjusted income, and having the ability to calculate rents and articulate more complicated occupancy policies and procedures.

Ms. Smith stated that, while the classroom training is the most desirable, the satellite broadcasts, the ongoing conference calls and other materials provided through the RHIIP effort, have helped her build confidence in carrying out the functions of her position as a Project Manager. It has enabled her to work more effectively with tenants, owners, management agents and HUD staff.

If you or your staff are interested in these or other Multifamily trainings, see the multifamily training web page at [http://www.hud.gov/offices/hsg/mfh/rhiip/events\\_calendar.cfm](http://www.hud.gov/offices/hsg/mfh/rhiip/events_calendar.cfm)

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## Status of Performance Based Contract Administrator (PBCA) Initiative... *continued from page 2*

for all assigned contracts. The PBCAs play a critical role in helping HUD achieve the RHIIP goals by conducting annual MORs on properties with a Section 8 project-based contract. Integral to the MOR conducted by the PBCAs is a review and assessment of the owners' leasing and occupancy policies, procedures utilized to detect and reduce errors in income and rent determinations and reduction of rent underpayments and/or overpayments by residents.

In FY 2004, approximately 11,000 MORs were conducted by the PBCAs. During these MORs, PBCAs identified and documented

all findings related to overpayment and/or underpayment errors. PBCAs play a critical role in tracking the errors and making sure that owners resolve these findings. The PBCA's review and certification of the monthly Housing Assistance Payment (HAP) voucher ensures that corrections are made to reflect proper and accurate payments.

For FY 2005, HUD continues to look forward to the work PBCAs will complete in regard to conducting MORs and in continuing to meet the RHIIP goals.



## Multifamily Housing and Public and Indian Housing Working Together on Joint BPR/I Initiative... *continued from page 1*

*What is Business Process Reengineering/Improvement? BPR/I is a management approach to rethinking and redesigning business processes to achieve dramatic improvements in performance. BPR/I does not use technology to automate existing tasks; instead it uses the latest advances in technology to assist in the improved business. In essence, BPR/I examines the business processes rather than systems.*

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## Income Calculation and Verification Guidance Regarding Medicare Prescription Drug Cards and Transitional Assistance

The joint HUD Notice, Public and Indian Housing (PIH) 2004-24 and Housing 2004-24, titled "Income Calculation and Verification Guidance Regarding Medicare Prescription Drug Cards and Transitional Assistance" was issued on November 10, 2004. This Notice supersedes the joint Notice PIH 2004-11 and H-04-11.

The Notice provides guidance to Public Housing Agencies (PHAs), owners and management agents in determining annual and adjusted income in HUD's assisted housing programs under the Medicare Prescription Drug Improvement and Modernization Act of 2003. In addition, the Notice now provides guidance on how to verify: 1) that the assisted resident has a Medicare-approved drug discount card, and 2) the pre-discount price of prescription drugs.

PHAs, owners and management agents must verify that the tenant has a Medicare-approved drug discount card. All discount cards

approved by Medicare will have a seal with the words "Medicare Approved". They must also verify the amount the individual would have had to pay for each prescription in absence of the negotiated discount provided by the Medicare-approved drug discount card or any payments made by the \$600 transitional assistance credit. PHAs, owners and management agents must use third party verification when possible or document in the file why third party verification was not available. The Notice provides alternative forms of verification for the pre-discount cost of the drug that can be used to satisfy HUD's regulatory requirements when third party verification is not available.

The Notice is posted at [www.hudclips.org](http://www.hudclips.org).





## RHIIP Training presented in Little Rock, Arkansas – August 10-12, 2004

The Little Rock Multifamily Program Center and Southwest Housing Compliance Corporation presented the 2004 Housing Update Seminar on August 10-12, 2004, at the Little Rock Peabody Hotel in Little Rock, Arkansas. The seminar was designed to give owners and agents firsthand knowledge of the Department's Rental Housing Integrity Improvement Project (RHIIP). Topics covered included: Income/Asset Verification,

Corporation, for the State of Arkansas, presented an overview of their operating procedures. Over 350 owners, agents, and on-site managers attended this seminar. Attendees indicated that the training seminar was very informative and requested more training on these topics in the future. Linda Hardway, Director of the Little Rock Multifamily Program Center, expressed gratitude and delight at the turnout for the meeting: "We are pleased that so many of our partners have shown a commitment to this Secretarial Initiative by coming to Little Rock and taking an active part in ensuring the right benefits go to the right persons. We brought our PBCA in to introduce this aspect of Asset Management to the owners and agents. The meeting went very well in terms of participation, information exchange, and effective monitoring procedures."



Participants in the 2004 Housing Updates Seminar on August 10-12, 2004, at the Peabody Hotel in Little Rock



### Little Rock Multifamily Program Center Staff:

(From left to right) Peggy Grigsby, Vin Speck, Leona Blankenship, Linda Hardway, Gwen Casson, Lavern Collier, Jeanette Liles, and Belinda Koros (not pictured: Patricia Burgess and Anita Morris)

Medical Deductions, Recertification Issues, Model Lease Changes, Maintenance of the Waiting List, Record Keeping Requirements, Special Claims Processing, and How to Access Secured Systems/TRACS Internet. In addition to covering the RHIIP initiative, the newly designated Performance Based Contract Administrator (PBCA) – Southwest Housing Compliance



Joe Reynolds, Housing Manager with Health Resources of Arkansas receives registration information from Vin Speck, Chief, Asset Management Branch, Little Rock Multifamily Program Center.



## Rental Housing Integrity Improvement Project (RHIIP) Brochure, *RHIIP & You* and RHIIP Information Sheets

HUD's Office of Multifamily Housing Programs has developed a RHIIP brochure titled, *RHIIP & You* and RHIIP Information Sheets. The RHIIP brochure is to be used by HUD Field Offices as a handout at meetings or visits to projects, mailed to owners, or used in whatever way is best to get the word out about RHIIP. Individual information sheets have been developed for owners and management agents, tenants, contract administrators and HUD staff. The information sheets expand on the informa-

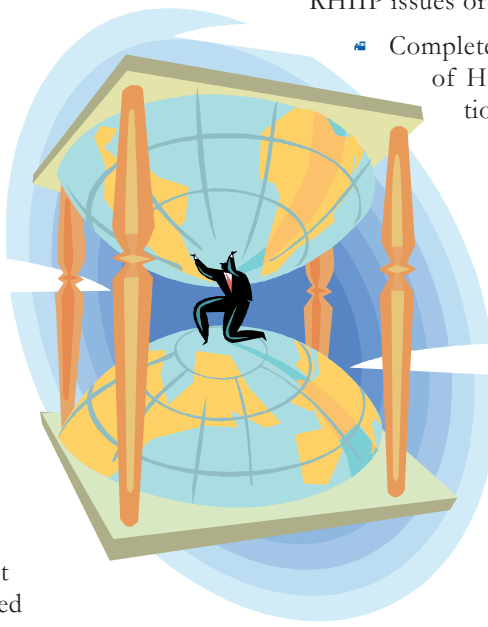
tion in the brochure and the one for HUD staff also has some guidance on how to use the RHIIP brochure.

For more information, visit the RHIIP website or contact the RHIIP Multifamily Help Desk Coordinator at your local HUD field office. The brochure and the information sheets can be found on the RHIIP website at: <http://www.hud.gov/offices/hsg/mfh/rhiip/mfhrhiip.cfm> or they can be obtained by calling the Multifamily Housing Clearinghouse at 1-800-685-8470.



## FY 2004 Multifamily Housing RHIIP Accomplishments

- Issued change Number 1 to HUD Handbook 4350.3 REV-1 on August 26, 2004. This change provided edits, clarifications and policy changes for Chapters One through Four and the Glossary.
- Prepared the RHIIP brochure, *RHIIP & You*, RHIIP Information Sheets, and PowerPoint presentation explaining RHIIP. This information was prepared for a diverse audience including tenants, owners, management agents, contract administrators and HUD staff. These items were posted on the RHIIP web page and some were printed for distribution.
- Designated RHIIP Help Desk Representatives in each Multifamily Hub and Multifamily Program Center in April 2004. Developed a comprehensive plan to ensure that the Representatives were prepared for their functions. Regular conference calls were convened to explain responsibilities, discuss tools and provide training on the non-citizen rule, screening and eviction and determining adjusted income.
- Conducted a series of conference calls for the RHIIP Help Desk Representatives to enhance their skills. The training is comprised of six modules covering aspects of eligibility, income and rent calculation. The materials were developed to use for self-study, classroom, or conference calls. Participants were provided a participant's manual, a trainer's manual, and a PowerPoint slide presentation. These materials and case studies were discussed during the conference calls.
- Surveyed the housing industry and HUD field offices and determined that more than 12,000 participants were trained by HUD and industry training sessions in the last quarter of FY 2003 and the first quarter of FY 2004.
- Maintained a training calendar on the RHIIP web page that listed a schedule of upcoming RHIIP related training conducted by HUD or the housing industry. This was the first time a comprehensive list was provided for owners, management agents, contract administrators and HUD staff.
- Published three RHIIP newsletters. The newsletter is published on a quarterly basis and is a useful tool for informing HUD staff, owners, management agents, contract administrators, tenants and other interested parties of important RHIIP issues such as income matching with the New Hires data base, results of RHIIP error measurement studies and new rent and income determination policies.
- Reorganized the RHIIP web page with helpful information that is posted and updated regularly. The web page enables HUD to reach a broad audience quickly with new RHIIP issues or products.
- Completed the data match with the Department of Health and Human Services (HHS) National Directory of New Hires (NDNH) for Multifamily Housing's project-based programs. The wage and unemployment data was matched with information in TRACS for 2,400 tenants, only 89 (3.7%) had possible unreported income from 113 job sources. In comparison, PIH had 265 tenants (11.04%).
- Posted an information sheet relating to the automation rule for transmission of data to Tenant Rental Assistant Certification System (TRACS) on the RHIIP and TRACS web pages. Owners were notified of the requirement for compliance with the automation rule and the TRACS compliance check and reporting has been implemented.
- Completed 12,679 Management and Occupancy Reviews. HUD staff, Non-Performance Based Contract Administrators and Performance Based Contract Administrators conducted these reviews. The monitoring reviews are an important tool in detecting and correcting errors in rent and income determinations.
- Completed a Quality Control for Rental Assistance Subsidies Determination study resulting in a 36.7% reduction in gross erroneous payments between 2000 and 2003. The RHIIP goal of a 30 percent reduction in errors was met and exceeded. The impact of errors in subsidy billings in 2003 was estimated at \$100 million with an additional \$38 million treated as errors due to undocumented pre-billing corrections.



**U.S. Department of Housing and Urban Development**

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## Billing Study Completed... *continued from page 2*

thought of as indicating a low level of error and an indication of the relative magnitude of those errors rather than as a statistically accurate estimation of error. The sample sizes used were consistent with the Office of Management and Budget (OMB) guidance on exploratory error measurement.

The tenant-level errors consisted of errors where the information in the tenant file did not agree with the amount billed HUD and where tenant utility allowances were properly billed to and paid by HUD but were not properly remitted to the tenant. The project-level errors include discrepancies between amounts billed to and paid by HUD and cash receipts shown in project bank statements and accounting records.

The study also found pre-payment billing adjustments by HUD's Performance Based Contract Administrators that avoid erroneous payments, and the gross annual impact of those adjustments was estimated at \$38 million.



## "Good News! Discount Prescription Drug Cards Are Now Available"



In the RHIIP Newsletter (Volume 3, Number 3 Fall 2004) there was a one word error on page 2, paragraph 2 in the first sentence under the article titled "Good News! Discount Prescription Drug Cards Are Now Available". The word that was incorrectly used in that sentence was "**Medicare**". The revised sentence should read:

Almost anyone on Medicare will qualify for these drug discount cards, although family members who already have outpatient prescription drug coverage through "**Medicaid**" are not eligible.

We apologize for this error in the previous newsletter.